COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF KENTUCKY-AMERICAN WATER COMPANY	))	CASE NO. 2010-00036

COMMISSION STAFF'S FIRST SET OF INFORMATION REQUESTS TO KENTUCKY-AMERICAN WATER COMPANY

Kentucky-American Water Company ("Kentucky-American"), pursuant to 807 KAR 5:001, shall file with the Commission the original, one paper copy and one electronic copy of the following information, with a copy to all parties of record. The information requested herein is due on or before either 14 days after the initial submission of the rate application or 28 days after the date of this data request, whichever is later. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kentucky-American shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kentucky-

American fails or refuses to furnish all or part of the requested information, Kentucky-American shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. a. Provide a copy of the workpapers and calculations that Kentucky-American used to develop its forecasted test-period financial information.

b. State all assumptions that Kentucky-American used to develop its forecasted test-period financial information.

2. a. State whether Kentucky-American's internal accounting manuals, directives, policies, and procedures that were submitted in Case No. 2008-00427[1] have been modified, amended, or replaced.

b. If any of the documents identified in Item 2(a) have been modified, amended, or replaced, provide a complete copy of the current document and identify the areas that differ from the document provided in Case No. 2008-00427.

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[1] Case No. 2008-00427, *Application of Kentucky-American Water Company for a General Adjustment of Rates Supported by a Fully Forecasted Test Year* (Ky. PSC Jun. 6, 2009), Kentucky-American's Response to the Commission Staff's First Set of Information Requests, Item 2.

3. Provide a complete copy of all Kentucky-American budget instructions, assumptions, directives, manuals, policies and procedures, time lines, and descriptions of budget procedures.

4. a. Provide a comparison of Kentucky-American's monthly operating budgets to the actual results, by account, for each of the following calendar years: 2006, 2007, 2008, and 2009. Kentucky-American's response shall include comparisons for the following major expense categories:

(1) Fuel and Power Expense;

(2) Chemical Expense;

(3) Management Fee Expense;

(4) Customer Accounting Expense;

(5) General Office Expense;

(6) Miscellaneous Expense; and

(7) Maintenance Expense.

b. Provide, for each yearly account variance that exceeds five percent, a detailed explanation for the variance.

5. Provide a reconciliation and a detailed explanation of each difference, if any, in the capitalization and the net investment rate base of Kentucky-American for the base period.

6. Provide a rate base, capital structure, and statement of income for Kentucky-American for the most recent actual 12-month period at the time of the company's application for rate adjustment and for the base period used in the company's application.

Provide detailed explanations necessary to reconcile this information with the filed base period revenue requirement information.

7. Describe the process that Kentucky-American uses to plan and approve construction projects.

8. Provide Kentucky-American's long-term construction planning program in effect as of the date of the filing of Kentucky-American's application.

9. a. For each construction project that Kentucky-American has commenced from January 1, 2000 through December 31, 2009, provide the information listed below in the format contained in Schedule 1:

(1) Project number;

(2) Project title and description;

(3) Annual actual cost;

(4) Annual original budgeted cost;

(5) Variance between annual actual cost and annual original budgeted cost in dollars;

(6) Variance between annual actual cost and annual original budgeted cost as a percentage;

(7) Percentage of total construction budget that proposed project comprises for the budgeted year;

(8) Total actual project cost;

(9) Total budgeted project cost;

(10) Variance between total actual project cost and total budgeted project cost;

(11) Date the original budget projected the project to start;

(12) Date the original budget projected the project to be completed;

(13) Date construction of project actually commenced; and

(14) Date construction of the project was actually completed.

b. For each project in which a variance between actual and budgeted cost occurred or in which a delay in its start or completion occurred, describe the variance or delay and the reasons for such variance or delay.

c. Provide a copy of the construction budget variance information requested in Item 9(a) on a computer disk in Microsoft Office Excel format.

10. Provide, in the format provided as Schedule 2, an analysis of the Construction Work in Progress as defined in the Uniform System of Accounts for the 12 month period preceding the base period, the base period, and the forecasted test period.

11. For each construction project listed in Kentucky-American's response to Item 10, provide the information listed below in the format contained in Schedule 3:

a. Project number;

b. Date on which construction began;

c. Estimated date of project completion;

d. Time elapsed since the beginning of construction as a percentage of total estimated time of construction;

e. Original budget estimate of project's cost;

f. Most recent budget estimate of project's cost;

g. Total expenditure on project; and

h. Total project expenditure as percentage of total budgeted estimate.

12. Provide a copy of all schedules presented in the cost-of-service study, electronically, in Microsoft Office Excel format, allowing for the review of and unrestricted access to the underlying formulas.

13. a. Provide Kentucky-American's budgeted and actual regular wages, overtime wages, and total wages by employee group, by month, for the most recent two years available in the format provided as Schedule 4. Kentucky-American shall supplement its response as further information becomes available.

b. For each variance that exceeds 5 percent in a monthly period, state the reasons for the variance.

14. Provide a complete copy of all wage, compensation, and employee benefits studies, analyses, and surveys that Kentucky-American has conducted, commissioned, or used.

15. State for each employee group the amount, percentage increases, and effective dates for general wage increases and, separately, for merit increases granted for calendar years 2007, 2008, and 2009, the base period and the forecasted period.

16. a. Provide complete details of all early retirement plans or other employee reduction programs that Kentucky-American or American Water Works Company ("American Water") intends to offer to its employees during the base period and the forecasted test period.

b. For each program listed above, provide all cost-benefit analyses or studies upon which the program is based.

17. a. List all fringe or other employee benefits available to Kentucky-American employees and indicate which benefits, if any, are limited to management employees.

b. For each benefit listed above, state the expected cost of each benefit in the base period and the forecasted test period and its historical cost for each of the two years preceding the base period.

c. List each change in fringe or other employee benefits or the availability of such benefits that has occurred within two years of the start of the base period.

18. List separately the budgeted and actual number of full- and part-time employees by employee group, by month and by year, for the five years immediately preceding the base period, the base period, and the forecasted period.

19. Provide a detailed description of each Other Post-retirement Employee Benefits package that Kentucky-American or American Water provides to Kentucky-American employees.

20. Provide all employment contracts between Kentucky-American and its non-management employees that are currently in effect and the most recent contracts previously in effect.

21. Provide a complete copy of each group medical insurance policy that Kentucky-American currently maintains for its employees.

22. a. Provide, for each major functional plant property group or account in the format shown in Schedule 5, the following:

(1) Plant beginning balances;

(2) Plant ending balances;

(3) Gross additions occurring in the forecasted test period;

(4) Retirements occurring in the forecasted test period; and

(5) Transfers for Kentucky-American occurring in the forecasted test period.

b. For any account in which transfers regularly occur in the normal course of business, provide a general description of the nature of the transfers.

23. Provide, in the format shown in Schedule 6 for each property leased to the utility or improvement to leased property, the following:

a. An identification or reference number;

b. A description of the property's type and use;

c. The name of the lessor;

d. The frequency of lease payments;

e. The amount of each lease payment;

f. The original value of the property, together with annual lease payments; and

g. An explanation of the method that Kentucky-American uses to capitalize the lease payment.

24. Provide, in the format shown in Schedule 7 for each property held for future use, the following:

a. A description of the property;

b. The date of its acquisition;

c. Its original cost;

d. Its accumulated depreciation;

e. Its expected in-service date; and

f. Its expected use.

25. Provide the information in the format listed in Schedule 8 regarding Certain Deferred Credits, Accumulated Deferred Income Taxes, and Other Rate Base items included in the forecasted test-period rate base.

26. Provide the following (original cost) monthly account balances and a calculation of the average (13-month) account balances for total company and jurisdictional operations:

a. Plant in Service;

b. Plant Purchased or Sold;

c. Property Held for Future Use;

d. Construction Work in Progress ("CWIP") (separate this balance into CWIP eligible for capitalized interest and other CWIP);

e. Completed Construction Not Classified;

f. Accumulated Depreciation and Amortization;

g. Plant Acquisition Adjustment;

h. Amortization of Utility Plant Acquisition Adjustment;

i. Materials and Supplies;

j. Balance in Accounts Payable Applicable to each account in (i) above (if actual cannot be determined, give reasonable estimate);

k. Unamortized Investment Tax Credit - Pre-Revenue Act of 1971;

l. Unamortized Investment Tax Credit - Revenue Act of 1971;

m. Accumulated Deferred Income Taxes;

n. Summary of Customer Deposits;

o. Computation and Development of Minimum Cash Requirements;

p. Balance in Accounts Payable Applicable to amounts included in utility plant in service (if actual cannot be determined, provide a reasonable estimate);

q. Balance in Accounts Payable Applicable to prepayments by major category or subaccount;

r. Balance in Accounts Payable applicable to amounts included in plant under construction (if actual cannot be determined, provide a reasonable estimate); and

s. All Current Assets and Current Liability accounts not included above.

27. Provide a calculation of federal and state income tax expense, including a reconciliation of book to taxable income, for the base period and the forecasted period in the format shown in Schedule 9.

28. Provide a trial balance as of the last day of the base period showing account number, account title, and actual base period accounts. All income statement accounts should show activity for 12 months.

29. a. Provide a copy of Kentucky-American's 1989 service contract with the American Water Works Service Company.

b. State whether the 1989 service contract, provided in response to Item 29(a), has been modified, amended, or replaced.

c. If the 1989 service contract has been modified, amended, or replaced, provide a complete copy of the current service contract and identify the areas in that contract that differ from the 1989 service contract.

30. a. Provide a copy of all other service agreements and contracts that Kentucky-American has with affiliate companies.

b. Describe in detail the pricing policies of Kentucky-American and its affiliates with regard to affiliate company transactions.

31. a. List and describe each service that each affiliated company renders to Kentucky-American.

b. For each service listed above, describe the benefit(s), if any, that Kentucky-American derives from the provision of this service from the affiliate.

32. Provide a comprehensive list and detailed description of the services that Kentucky-American has provided to affiliated companies.

Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: FEB 16 2010

cc: Parties of Record

Kentucky-American
Case No. 2010-00036
Construction Projects
As of ____________________

Schedule 1
Page 1 of 1
Witness Responsible:
____

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ____________________

Project No.	Project Title/Description	Annual Actual Cost	Annual Original Budget	Variance In Dollars	Variance As Percent	Percent Of Budget	Total Actual Project Cost	Total Budget Project Cost	Variance In Dollars	Date Original Budget Start	Date Original Budget End	Date Actual Start	Date Actual End

Kentucky-American
Case No. 2010-00036
Construction Work in Progress
As of ______________________

Witness Responsible:
____

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ______________________________

			Accumulated Costs				
				Indirect			
Line No. (A)	Project No. (B)	Description of Project (C)	Construction Amount (D)	AFDUC Capitalized (E)	Costs Other (F)*	Total Cost (G=D+E+F)	Estimated Physical Percent Completed (H)
			$	$	$	$	$
	TOTAL						

*Explain the nature of all other indirect costs in footnotes.

Kentucky-American
Case No. 2010-00036
Construction Work in Progress - Percent Complete*
As of ____________________

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ____________________

Schedule 3
Page 1 of 1
Witness Responsible:
____

Line No. (A)	Project No. (B)	Date Construction Work Began (C)	Estimated Project Completion Date (D)	Percent of Elapsed Time (E)	Original Budget Estimate (F)	Most Recent Budget Estimate (G)	Total Project Expenditures (H)	Percent of Total Expenditures (I)=H÷G
					$	$	$	

*Should be based on expenditures including AFUDC.

Kentucky-American
Case No. 2010-00036
Monthly Payroll Variance Analysis
As of ____________________

Schedule 4
Page 1 of 1
Witness Responsible:
____

Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ____________________

Date	Employee Group	Monthly Budget			Monthly Actual			Variance Percent		
		Reg.	OT	Total	Reg.	OT	Total	Reg.	OT	Total

Kentucky-American
Case No. 2010-00036
Gross Additions, Retirements, and Transfers
From ____________________ To ____________________

Schedule 5
Page 1 of 1
Witness Responsible:
____

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ____________________

						Transfers/Reclassifications			
Line No.	Acct. No.	Account Title	Beginning Balance	Additions	Retirements	Amount	Explanation of Transfers	Other Accounts Involved	Ending Balance
			$	$	$	$			$

Kentucky-American
Case No. 2010-00036
Leased Property
(Total Company)
As of ____________________

Schedule 6
Page 1 of 1
Witness Responsible:
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Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ___________________________

Identification or Reference Number	Description of Type and Use of Property	Name of Lessee	Frequency of Payment	Amount of Lease Payment	Dollar* Value of Property Involved	Explain Method of Capitalization

*If not available, an estimate should be furnished.

Kentucky-American
Case No. 2010-00036
Property Held for Future Use Included in Rate Base
As of ______________________

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ______________________

Witness Responsible:
____

Line No.	Description and Location of Property	Acquisition Date	Original Cost	Accumulated Depreciation	Net Original Cost	Revenue Realized			Expenses Incurred		
						Amount	Acct. No.	Description	Amount	Acct. No.	Description

Kentucky-American

Case No. 2010-00036

Certain Deferred Credits and Accumulated Deferred Income Taxes*

As of ______________________

Witness Responsible: ____________________

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ____________________

Line No.	Account No.	Description
		Customers' Advances for Construction
		Contributions in Aid of Construction
		Investment Tax Credits:
		Pre 1971 3% Credit
		1971 4% Credit
		1975 6% Additional Credit
		1981 10% Credit on Recovery Property
		ITC Tax Benefits Sold
		Deferred Income Taxes:
		Accelerated Amortization
		Liberalized Depreciation
		ACRS Tax Benefits Sold
		Other (Specify and list separately)
		Other (Specify and list separately)

*Also provide the ITC option elected in 1971 and 1975 under Section 46(f) of the 1954 Internal Revenue Code.

Case No. 2010-00036
Adjusted Jurisdictional ____ Federal and ____ State Income Taxes*
For the 12 Months Ended ______________________

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ______________________

Schedule 9
Page 1 of 3
Witness Responsible:
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Line No.	Description	At Current Rates Unadjusted (1)	Schedule 49 Adjustments (2)	Adjusted (3)	At Proposed Rates Adjustments (4)	Adjusted (5)
1	Operating Income Before Income Taxes	$	$	$	$	$
2	Reconciling Items					
3	Interest Charges					
4	Tax Accelerated Depreciation					
5	Book Depreciation	______	______	______	______	______
6	Excess of Tax Over Book Depreciation					
7	Other Reconciling Items (Specify and List)	______	______	______	______	______
8	Total Reconciling Items					
9	Taxable Income	______	______	______	______	______
10	Income Tax Rates:					
11	$____________ @ __%					
12	$____________ @ __%					
13	$____________ @ __%					
14	$____________ @ __%					
15	Over $__________ @ __%	______	______	______	______	______
16	Federal (State) Income Tax Liability	______	______	______	______	______

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American
Case No. 2010-00036
Adjusted Jurisdictional ____ Federal and ____ State Income Taxes*
For the 12 Months Ended ____________________

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ____________________

Witness Responsible:
____

Line No.	Description	At Current Rates Schedule 49 Unadjusted (1)	Adjustments (2)	Adjusted (3)	At Proposed Rates Adjustments (4)	Adjusted (5)
17	Investment Tax Credits	$	$	$	$	$
18	Federal (State) Income Taxes – Current	$	$	$	$	$
19	Deferred Income Taxes					
20	Tax Accelerated Depreciation					
21	Tax Straight-Line Depreciation					
22	Excess of Accelerated Over Straight-Line Depreciation					
23	Deferred Income Tax @ ______%					
24	Amortization of Prior Years Deferred Income Taxes					
25	Net Deferred Income Taxes Resulting from Depreciation					
26	Investment Tax Credit Deferred					
27	Amortization of Prior Years I.T.C.					

*Separate schedules should be completed for the federal and state calculation.

Kentucky-American
Case No. 2010-00036
Adjusted Jurisdictional ____ Federal and ____ State Income Taxes*
For the 12 Months Ended ____________________

Data: ___Base Period ___Forecasted Period
Type of Filing: ___Original ___Updated ___Revised
Workpaper Reference No(s).: ____________________

Witness Responsible:
____

		At Current Rates			At Proposed Rates	
		Schedule 49				
Line No.	Description	Unadjusted (1)	Adjustments (2)	Adjusted (3)	Adjustments (4)	Adjusted (5)
28	Investment Tax Credit - Net	$	$	$	$	$
29	Other Tax Deferrals (Specify and List Separately)					
30	Total Deferred Income Taxes	$	$	$	$	$
31	Total Federal (State) Income Taxes (18 + 30)	$	$	$	$	$

*Separate schedules should be completed for the federal and state calculation.

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